

Recommended 2016 Operating and Capital Budgets



**Sewerage and Water
Board of New Orleans
December 2015**

Introduction



- The recommended 2016 Operating and Capital Budgets are **based on continuation of the 2014-2020 Financial Plan**.
- The recommended 2016 Operating Budget **meets liquidity and debt service coverage targets** and **allows increases to staffing to perform needed services**.
- The recommended 2016 Capital Budget is **fully funded for planned improvements** to the water and sewer systems.
- Request adoption of 2016 Operating and Capital Budgets in December 2015.





Presentation

- I. Assumptions**
- II. Alignment with Strategic Plan**
- III. Capital and Operating Budget Details**



Presentation

- I. **Assumptions**
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Key Assumptions



- Revenues:** Increase water rates by ten percent for 2016.
- Increase sewer rates by ten percent for 2016.
- Anticipate decreased consumption by two percent per account.
- Increase in number of customers offsets decreased consumption per account.
- Maintain drainage millages at 2015 levels.



Key Assumptions



Expenses: Use 2015 Operations and Maintenance Budget as baseline.

Anticipate two percent reduction in baseline from increased efficiency.

Adjust for known changes.

Anticipate decreased water and sewer service provided for public purposes by ten percent.

Increase staffing up to limits allowed with targeted funding levels.



Key Assumptions



Capital Improvement Projects:

Fund capital improvement projects according to prioritization methodology.

Fully fund planned improvements to the water and sewer systems.

No new sources of funding for drainage system projects in 2016.

Long-term financial plans will be recalibrated as a result of FEMA settlement.



Key Assumptions



- Coverage:** Continue funding of debt service at a level of at least 1.5 times.
- Reserves:** Continue funding cash reserves at a level of at least 180 days of operations and maintenance expenses as established in the Financial Plan.
- Liabilities:** Continue payoff of previously unfunded liabilities for tort judgments, inter-fund transfers, and capital improvements funded by Department of Public Works.





Presentation

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Alignment with Strategic Plan



The 2016 Capital Budget will fund elements of Strategy I: We will build necessary infrastructure.

- We are replacing portions of the water distribution system and sewer collection system.
- We are rehabilitating components of our water treatment plants.
- We will be rehabilitating our raw water intake stations.
- We are replacing water meters in advance of a automated metering project.
- We will be improving treatment plant security.



Alignment with Strategic Plan



The 2016 Capital Budget will fund elements of Strategy I: We will build necessary infrastructure.

- We have rehabilitated sewer pump stations.
- We have constructed improvements at East Bank Sewage Treatment Plant.
- We are preparing to operate three pump stations constructed by Corps of Engineers at canals near lakefront.
- We have relocated water and sewer lines as part of the SELA Program drainage system improvements.



Alignment with Strategic Plan



The 2016 Capital Budget will fund elements of Strategy I: We will build necessary infrastructure.

- We have developed a twenty-year facilities plan for our water treatment capabilities.
- We have worked with the Corps of Engineers to storm proof for drainage pump stations.
- We are rehabilitating many of our boilers, turbines, and other power system facilities.
- We have constructed secondary power for all drainage pump stations.



Alignment with Strategic Plan



The 2016 Operating Budget will fund elements of Strategy II: We will rebuild our financial capabilities.

- We are identifying the revenue stream needed to meet drainage system financial plan requirements.
- We will continue to reduce expenses through process documentation, analysis, and redesign and integration of new technologies.
- We will continue to repay previously unfunded current liabilities.



Alignment with Strategic Plan



The 2016 Operating Budget will fund elements of Strategy II: We will rebuild our financial capabilities.

- We are adding staffing and aligning resources to ensure that highest priority initiatives are funded.
- We will continue our program of debt management initiatives to meet bond rating agency criteria for target credit rating.
- We will continue to reduce the quantity of free water provided.



Alignment with Strategic Plan



The 2016 Operating Budget will fund elements of Strategy III: We will improve our customer service capabilities.

- We will continue to reduce time between problem identification and resolution for customer complaints.
- We are piloting improved metering and meter reading processes and technologies.
- We have provided relationship managers for large commercial and industrial accounts and neighborhood associations.
- We will be improving internal customer satisfaction through front-line employee participation in process improvements.



Alignment with Strategic Plan



The 2016 Operating Budget will fund elements of Strategy IV: We will enhance our business performance.

- We are developing business plans for implementation of each strategy in this strategic plan.
- We are expanding measurements reporting according to adopted standards.
- We have redesigned the organization structure to meet operating objectives and support implementation of business plans.
- We are developing an Information Technology Business Plan to improve business systems.



Alignment with Strategic Plan



The 2016 Operating Budget will fund elements of Strategy IV: We will enhance our business performance.

- We have initiated a program to identify, assess, and mitigate business risks.
- We will improve coordination of our efforts with other service providers, including Businesses and Economic Development Entities.
- We have successfully improved collection of debts.
- We will improve business capabilities through process documentation, analysis and redesign and integration of new technologies.



Alignment with Strategic Plan



The 2016 Operating Budget will fund elements of Strategy V: We will enhance the capabilities of our employees.

- We will improve appraisal of performance for all employees.
- We are utilizing best practices for safety improvement.
- We will develop work plans for all management employees.
- We will develop training plans for all employees.
- We are reviewing employee incentive programs for effectiveness.
- We will expand amount of information communicated from leadership.



Alignment with Strategic Plan



The 2016 Operating Budget will fund elements of Strategy V: We will enhance the capabilities of our employees.

- We will perform succession planning and knowledge transfer for all managerial positions and all positions held by DROP Program participants.
- We will provide opportunities for feedback from front-line employees to senior management.
- We will assess competitiveness of total compensation program for recruitment and retention.
- We will improve the quality of worklife for employees.



Alignment with Strategic Plan



The 2016 Capital and Operating Budgets will fund elements of Strategy VI: We will protect the environment.

- We are constructing Green Infrastructure demonstration projects.
- We are developing communication materials on Green Infrastructure for customers.
- We are constructing wetlands assimilation, heat dryers, and other beneficial reuse projects.



Additional Objectives



We also intend to reduce the impact of rate increases to low income elderly and handicapped customers through a Service Assurance Program.

- We have successfully achieved legislative changes to allow adjustments for water lost through customer leaks and will adjust our policies accordingly.
- We are providing funding for bill payment assistance through the Water Help program.
- We will improve the Water Help program to provide assistance with plumbing repairs.





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2016 Capital Budget



- The recommended 2016 Capital Budget is balanced with cash generated from operations, contributions in aid of construction, and proceeds from bond issues.
- Includes projects for information technology, metering, fleet, warehouse, and other support services.
- Power and general projects are shown within the water, sewer, and drainage capital programs from which their funding will be provided.



2016 Capital Budget



Projects were prioritized using these attributes:

Customer Service	10%
System Reliability	12%
System Replacement/Rehabilitation	13%
System Benefits/Efficiency	9%
Operation Flexibility	12%
Regulatory Compliance	17%
Project Benefit/Impact	9%
System Growth	8%
System Security	10%
Total	100%





2016 Water Capital Budget

Water System	Requested
Waterworks Projects	\$ 98,024,000
Water Distribution Projects	\$ 10,765,000
Water Portion of Power Projects	\$ 16,852,000
Reserve for Emergencies	\$ 2,000,000
Administrative and General Projects	<u>\$ 23,502,000</u>
Total Water System	\$151,143,000





2016 Water Capital Budget

Source of Funds:

Bond Issue Proceeds	\$ 62,085,881
Cash Generated from Operations	\$ 3,000,000
Contributions in Aid of Construction	<u>\$ 86,057,119</u>
Total	\$ 151,143,000





2016 Water Capital Budget

Major Funded Projects > \$5,000,000:

Water Hammer Mitigation	\$ 49,116,952
Retrofit Boilers at Power Plant	\$ 13,123,841
Water System Line Replacement	\$ 25,000,000
Automated Water Meters	\$ 10,000,000





2016 Sewer Capital Budget

Sewer System	Requested
Sewerage System Projects	\$ 77,975,000
Sewage Treatment Projects	\$ 9,885,000
Sewer Portion of Power Projects	\$ 10,587,000
Reserve for Emergencies	\$ 2,000,000
Administrative and General Projects	<u>\$ 12,599,000</u>
Total Sewer System	\$113,046,000





2016 Sewer Capital Budget

Source of Funds:

Bond Issue Proceeds	\$ 70,015,984
Cash Generated from Operations	\$ 8,000,000
Contributions in Aid of Construction	<u>\$ 35,030,016</u>
Total	\$ 113,046,000





2016 Sewer Capital Budget

Major Funded Projects > \$5,000,000:

Sewer System Line Replacement	\$ 29,146,358
Retrofit Boilers at Power Plant	\$ 5,789,930
Wetlands Assimilation	\$ 8,000,000
Sludge Dryer	\$ 8,000,000





2016 Drainage Capital Budget

Drainage System	Requested	Funded
Drainage Canal Projects	\$ 15,789,000	\$ 7,764,000
Drainage Pumping Projects	\$ 24,457,000	\$ 7,613,000
Drainage Portion of Power Projects	\$ 61,212,000	\$ 54,735,000
Reserve for Emergencies	\$ 2,000,000	\$ 0
Administrative and General Projects	\$ 11,459,000	\$ 831,000
Total Drainage System	\$114,917,000	\$ 72,631,000
Unfunded	\$ 42,285,000	





2016 Drainage Capital Budget

Source of Funds:

Bond Issue Proceeds	\$ 0
Cash Generated from Operations	\$ 7,999,000
Contributions in Aid of Construction	<u>\$ 64,632,000</u>
Total	\$ 72,631,000
 Unfunded	 \$ 42,295,000





2016 Drainage Capital Budget

Major Funded Projects > \$5,000,000:

Power Generation System	\$ 51,510,880
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Major Unfunded Projects > \$2,000,000:

DPS 7 Discharge Tubes	\$ 6,500,000
Drainage Portion of DPW Projects	\$ 4,300,000
Overhead Allocation	\$ 2,971,000



2016 O&M Budget



The 2015 Operations and Maintenance Budget was utilized as the starting point for the recommended 2016 Operating Budget.

This “baseline budget” was then modified for known changes and correction of errors.

Increase staffing up to limits allowed with targeted funding levels.





2016 Total O&M Budget

**2015
Adopted
Budget**

\$ 167,604,906

**2016
Requested
Budget**

\$ 173,453,200

Increase \$5,848,294 or 3.5%.





2016 Total O&M Budget

Major Initiatives

- Improve power supply to water distribution network.
- Launch new customer account management system.
- Increase staffing to water treatment plant, facilities maintenance, pipeline repair, and customer service departments.
- Improve workforce development and training for new staff in advance of upcoming retirements.





2016 Water O&M Budget

2015

**Adopted
Budget**

\$ 72,266,600

2016

**Requested
Budget**

\$ 74,301,129

Increase \$2,034,529 or 2.8%.





2016 Sewer O&M Budget

**2015
Adopted
Budget**

\$ 56,238,898

**2016
Requested
Budget**

\$ 58,767,884

Increase \$2,528,986 or 4.5%.



2016 Drainage O&M Budget

2015

**Adopted
Budget**

\$ 39,099,408

2016

**Requested
Budget**

\$ 40,384,187

Increase \$1,284,779 or 3.3%.





Debt Service Coverage Times

Water System

Sewer System

Minimum Coverage Required

1.25

1.25

Policy Target

1.50

1.50

2016 Requested Budget

1.76

1.99



Capitol Projects



Capitol Projects

Water Distribution Projects	\$10,765,000
Water System Line Replacement	\$ 25,000,000
Sewerage System Projects	\$ 77,975,000
Sewer System Line Replacement	\$ 29,146,358

Totals \$ 142,886,358





Questions?